

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Marquette Peter White Public Library	County Marquette
Fiscal Year End 6-30-06	Opinion Date 12-08-06	Date Audit Report Submitted to State 12-29-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

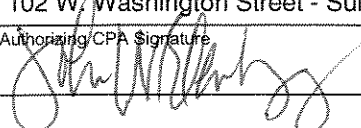
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Footnote notation of budget violation - no other comments	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington Street - Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 		Printed Name John W. Blemberg, CPA	License Number 10180

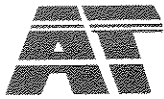
**CITY OF MARQUETTE, MICHIGAN
PETER WHITE PUBLIC LIBRARY**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees
of Peter White Public Library
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of the Peter White Public Library, as of and for the year ended June 30, 2006, which collectively comprise the Peter White Public Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Peter White Public Library as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006 on our consideration of Peter White Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 5-9 and 25-26, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Members of the Board of Trustees
of Peter White Public Library
Marquette, Michigan 49855

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Peter White Public Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 8, 2006

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Peter White Public Library's financial performance provides an overview of the Library's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Library as a whole were reported at \$4,034,009. Net assets are comprised of 100% governmental activities.
- During the year, the Library expenses were \$2,075,320, while revenues from all sources totaled \$1,773,776, resulting in a decrease in net assets of (\$301,544).
- The general fund reported a net change in fund balance of (\$21,614). This is \$21,614 lower than the forecast of no change in fund balance. This was mainly a result of expenditures being higher than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Library as a whole and present a longer-term view of the Library finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Library operations in more detail than the government-wide statements by providing information about the Library most significant funds.

Reporting the Library as a Whole

One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's *net assets* and changes in them. You can think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health, or *financial position*. Over time, *increases or decreases* in the Library's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Library's patron base and the condition of the Library's capital assets, to assess the *overall financial health* of the Library.

In the Statement of Net Assets and the Statement of Activities, we report all of the Library's activities as governmental activities. Governmental activities include the Library's basic services such as cultural services and general administration. Property taxes and other local sources fund most of these activities.

Reporting the Library's Most Significant Funds

The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Library as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Library Board has established other funds to help it control and manage money for particular purposes. The Library's funds are all governmental type funds which use the following accounting methods.

- *Governmental funds* – All of the Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

The Library as a Whole

Table I provides a summary of the Library's net assets as of June 30, 2006.

Table 1		
Net Assets		
	Governmental Activities	
	2006	2005
Current and other assets	\$2,510,417	\$2,679,104
Capital assets, net	6,521,646	7,020,414
Total Assets	9,032,063	9,699,518
Current liabilities	1,545,744	1,492,561
Noncurrent liabilities	3,452,310	3,871,404
Total Liabilities	4,998,054	5,363,965
Net Assets:		
Invested in capital assets, net of related debt	2,736,646	2,825,414
Restricted	1,002,807	1,203,063
Unrestricted (deficit)	294,556	307,076
Total Net Assets	\$4,034,009	\$ 4,335,553

Net assets of the Library's governmental activities stood at \$4,034,009. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$294,556.

The \$294,556 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$ 233,609	\$ 206,374
Operating grants and contributions	387,754	373,650
Capital grants and contributions		-
General revenues:		
Property taxes	1,042,399	994,253
Investment earnings	90,142	86,154
Miscellaneous	19,872	5,639
Total Revenues	<u>1,773,776</u>	<u>1,666,070</u>
Program Expenses:		
Recreation and cultures	1,869,295	1,776,905
Interest on long-term debt	206,025	232,154
Total Expenses	<u>2,075,320</u>	<u>2,009,059</u>
Increase (decrease) in net assets	<u>(301,544)</u>	<u>(342,989)</u>
Net assets, beginning	4,335,553	4,678,542
Net Assets, Ending	<u>\$4,034,009</u>	<u>\$ 4,335,553</u>

The Library's total revenues were \$1,773,776. The total cost of all programs and services was \$2,075,320, leaving a decrease in net assets of (\$301,544).

Table 3 presents the cost of the Library's largest activity – Recreation and Culture, as well as the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that the program placed on the Library's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Recreation and Culture	<u>\$ 1,869,295</u>	<u>\$1,247,932</u>

THE LIBRARY'S FUNDS

As the Library completed the year, its governmental funds reported a combined fund balance of \$1,374,673, a decrease of (\$221,870) from the beginning of the year. The majority of this decrease was due to the payment of debt service requirements from accumulated resources instead of through new funding sources.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees of the Peter White Public Library revised the budget several times in response to changes in potential revenues on a City, County and State level. The final budget reflected a decrease in revenues received from Marquette County Penal Fines and State of Michigan Library Aid. Revenues budgeted from the City of Marquette and the Townships exceeded expectations. A successful Century Club fund raising campaign for the Library's endowment fund at the Marquette Community Foundation and for library materials increased revenues received from private donations by almost \$20,000.

The retirement of several employees during the fiscal year resulted in staff vacancies that were not filled. This reduced the Library's salaries and benefits, but has left holes in staffing that must be covered by existing staff members. A goal of the Library administration is to replace these positions once funding becomes available.

Library usage remained at record levels during the fiscal year. Attendance increased by 2.4% and resulted in increased expenditures for operating and building maintenance supplies. Capital expenditures for building improvements also affected the budget for the year.

The Board of Trustees used funds from a bequest received in 2003 to make improvements to the Dandelion Cottage Room and Youth Services Area as well as to support the Peter White Public Library Endowment Fund at the Marquette Community Foundation. These funds were transferred from the Library's General Trust Fund to the operating budget for these activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the Library had \$6,521,647 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2006	2005
Land	\$114,704	\$114,704
Buildings and improvements	6,012,138	6,446,506
Equipment and furnishings	394,805	459,204
Totals	<u>\$6,521,647</u>	<u>\$ 7,020,414</u>

Debt

At year-end, the Library had \$3,785,000 in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2006	2005
1997 Library Improvement Bonds	\$3,315,000	\$ 3,510,000
1998 Building Authority Bonds	470,000	685,000
Totals	<u>\$3,785,000</u>	<u>\$ 4,195,000</u>

There were no new additions to debt for this year and further details on long-term debt can be found in Note D.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Library's appointed officials consider many factors when setting the fiscal year 2006 budget. One of those factors is the economy. The Peter White Public Library realizes that the State of Michigan is still undergoing financial problems, and that these problems will result in continued uncertainty at the City, Township, County and State levels. Voter approved millages in the City of Marquette and five Townships protect the Library from some of these uncertainties, but a majority of these millages are up for renewal in 2006. Another consideration for the Board is the volatility of State Aid and Marquette County Penal Fines from year to year. The Library does not have control over the payment of these revenues, and these payments have varied greatly during the past five years.

The Library Board has established a goal of spending at least 10% of the operating budget for materials. This has forced Library staff to be more innovative in fund raising. Staff efforts for fund raising will benefit the Library in years to come. Library users have, thus far, been willing to donate funds to purchase materials and support other Library activities. The Library Board should establish an annual fund raising goal and work with staff to develop a proactive fund raising plan each year.

The Library administration and staff will need to continue to diligently watch the revenues and expenditures on a monthly basis to assure that income and spending are balanced. The Library team has proven to be responsible in the use of Library assets, but these efforts must continue.

The Library must also develop plans to raise additional funds to cover a shortfall in anticipated revenues to pay off the \$2.0 million Building Authority Bonds in 2008. A decrease in interest income and unexpected costs for final building project change orders may result in reduced funds to meet these obligations. The Board will be developing a plan to raise these funds during 2006.

CONTACTING THE LIBRARY FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director at Peter White Public Library, 217 North Front Street, Marquette, Michigan, 49855.

**City of Marquette, Michigan
Peter White Public Library**

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 164,877
Investments	1,219,416
Taxes receivable, net	1,106,632
Accounts receivable, net	4,736
Prepaid expenses	14,756
	<hr/>
TOTAL CURRENT ASSETS	2,510,417
	<hr/>
Noncurrent assets:	
Land	114,704
Other capital assets	11,080,564
Accumulated depreciation	(4,673,622)
	<hr/>
TOTAL NONCURRENT ASSETS	6,521,646
	<hr/>
TOTAL ASSETS	9,032,063
	<hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable	37,139
Unearned revenue	1,098,605
Bonds payable - due in one year	410,000
	<hr/>
TOTAL CURRENT LIABILITIES	1,545,744
	<hr/>
Noncurrent liabilities:	
Bonds payable - due in more than one year	3,375,000
Compensated absences	77,310
	<hr/>
TOTAL NONCURRENT LIABILITIES	3,452,310
	<hr/>
TOTAL LIABILITIES	4,998,054
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	2,736,646
Restricted:	
Retirement of debt	222,047
Endowments	780,760
Unrestricted	294,556
	<hr/>
TOTAL NET ASSETS	\$ 4,034,009
	<hr/>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2006

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Recreation and culture	\$ 1,869,295	\$ 233,609	\$ 387,754	\$ (1,247,932)
Interest on long-term debt	206,025	-	-	(206,025)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,075,320</u>	<u>\$ 233,609</u>	<u>\$ 387,754</u>	<u>(1,453,957)</u>
		General revenues:		
		Property taxes		1,042,399
		Interest and investment earnings		90,142
		Miscellaneous		19,872
				<u>1,152,413</u>
				(301,544)
		Net assets, beginning of year		<u>4,335,553</u>
				<u>\$ 4,034,009</u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 199,446	\$ 22,365	\$ 4,467	\$ (61,401)	\$ 164,877
Investments	184,789	758,395	-	276,232	1,219,416
Taxes receivable, net	711,784	-	394,848	-	1,106,632
Accounts receivable, net	4,736	-	-	-	4,736
Prepaid expenditures	14,756	-	-	-	14,756
TOTAL ASSETS	\$ 1,115,511	\$ 780,760	\$ 399,315	\$ 214,831	\$ 2,510,417
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 37,139	\$ -	\$ -	\$ -	\$ 37,139
Unearned revenue	706,506	-	392,099	-	1,098,605
TOTAL LIABILITIES	743,645	-	392,099	-	1,135,744
FUND BALANCE:					
Reserved for:					
Retirement of debt	-	-	7,216	214,831	222,047
Endowments	-	780,760	-	-	780,760
Unreserved, reported in:					
General Fund	371,866				371,866
TOTAL FUND BALANCE	371,866	780,760	7,216	214,831	1,374,673
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,115,511	\$ 780,760	\$ 399,315	\$ 214,831	\$ 2,510,417

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan
Peter White Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances for Governmental Funds		\$	1,374,673
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds

Cost of capital assets	11,195,268	
Accumulated depreciation	<u>(4,673,622)</u>	
		6,521,646

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

Bonds payable	(3,785,000)	
Compensated absences	<u>(77,310)</u>	
		(3,862,310)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	<u>\$</u>	<u>4,034,009</u>
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The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan
Peter White Public Library

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2006

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
REVENUES:					
Property taxes	\$ 671,007	\$ -	\$ 371,392	\$ -	\$ 1,042,399
State sources	39,482	-	-	-	39,482
Local sources	313,149	-	-	-	313,149
Charges for services	40,990	-	-	-	40,990
Fines and forfeiture	156,144	-	-	-	156,144
Rentals	36,475	-	-	-	36,475
Contributions from private sources	33,198	-	-	1,925	35,123
Investment income	18,484	45,991	-	25,667	90,142
Other	19,872	-	-	-	19,872
TOTAL REVENUES	1,328,801	45,991	371,392	27,592	1,773,776
EXPENDITURES:					
Recreation and Culture:					
Personnel services	884,868	-	-	-	884,868
Supplies	70,325	-	-	-	70,325
Musical supplies and services	-	-	-	-	-
Other services and charges	299,670	2,331	-	-	302,001
Capital outlay	122,427	-	-	-	122,427
Debt service					
Principal retirement	-	-	195,000	215,000	410,000
Interest and fiscal charges	-	-	172,327	33,698	206,025
TOTAL EXPENDITURES	1,377,290	2,331	367,327	248,698	1,995,646
NET REVENUES OVER EXPENDITURES	(48,489)	43,660	4,065	(221,106)	(221,870)
OTHER FINANCING SOURCE (USES)					
Transfers In	26,875	-	-	-	26,875
Transfers (Out)	-	(26,875)	-	-	(26,875)
TOTAL OTHER FINANCING SOURCES (USES)	26,875	(26,875)	-	-	-
NET CHANGE IN FUND BALANCE	(21,614)	16,785	4,065	(221,106)	(221,870)
Fund balance, beginning of year	393,480	763,975	3,151	435,937	1,596,543
FUND BALANCE, END OF YEAR	\$ 371,866	\$ 780,760	\$ 7,216	\$ 214,831	\$ 1,374,673

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(221,870)
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$	-	
Depreciation expense		<u>(498,768)</u>	
			(498,768)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		410,000
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Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

9,094

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

	\$	<u>(301,544)</u>
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**CITY OF MARQUETTE, MICHIGAN
PETER WHITE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Peter White Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

(A) DESCRIPTION

The Library is a discretely presented component unit of the City of Marquette and was created under Local Acts of 1891, Section No. 254. The Library’s governing body consists of five trustees appointed by the City of Marquette’s Mayor with the confirmation of the City Commission.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds). The government-wide financial statements (i.e. the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives the cash.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first. Unrestricted resources are used as they are needed.

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Library reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Carroll Paul Memorial Trust Fund – The Carroll Paul Memorial Trust fund is a special revenue fund of the Library. It is used to account for the trust arrangement that supports the musical programs of the Library.

1997 Library Improvement Debt Service Fund and 1998 Building Authority Debt Service Fund – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Property Taxes

City of Marquette property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

Capital Assets

Capital assets, which include property, plant and equipment, are reported within the governmental activities in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement of net assets. The straight-line depreciation method is applied over the estimated useful life of capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25-40 years
Equipment and furnishings	5-15 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net assets. In the governmental funds financial statements, long-term debt is not reported as liabilities. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The Library's debt consists primarily of bonds that are the general obligation of the Library and is backed by the City of Marquette's full faith and credit.

Budgets and Budgetary Accounting

The City of Marquette follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget, approved by the Library's Board of Trustees for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the Combined Statements. Any transfers of appropriations between functions must be approved by the City Commission. All unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the General fund, all Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City of Marquette's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Interfund Activity

The effect of interfund activity has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded in the fund financial statements.

Cash Equivalents

For purposes of balance sheet classification, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE B – DEPOSITS AND INVESTMENTS:Cash Equivalents

As of June 30, 2006, the Library's cash and cash equivalents and investments were reported in the Government-wide Statement of Net Assets as follows:

Cash and equivalents	\$164,877
Investments	<u>1,219,416</u>
	<u>\$1,384,293</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State law does not require and the Library does not have a deposit policy for custodial credit risk. As of June 30, 2006, the carrying amount of the Library's deposits with financial institutions was \$164,877 and the bank balance was \$164,877. The bank balance is insured by the FDIC or uncollateralized with securities held by the Library in its name to the extent of the City of Marquette's pooled cash categorization.

Investments

As of June 30, 2006, the Library had the following investments.

Investment Type	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Agencies	\$328,637	\$ -	\$328,637	\$ -	\$ -
U.S. Treasury Notes	45,009	45,009	-	-	-
Mutual Bond Funds	379,139	318,809	60,330	-	-
Mutual Equity Funds	466,631	466,631	-	-	-
	<u>\$1,219,416</u>	<u>\$830,449</u>	<u>\$388,967</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Library's investments. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):*Credit Risk*

Michigan statutes authorize the Library to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Library has no investment policy that would further limit its investment choices. The Library's investments in Mutual Bond Funds are rated A3 to AAA by Moody's and the remaining investments are not subject to ratings. The Library's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer. There were no investments subject to the concentration of credit risk disclosure.

NOTE C– CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006 is as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 114,704	\$ -	\$ -	\$114,704
Capital assets being depreciated:				
Buildings	60,092	-	-	60,092
Building improvements	8,788,004	-	-	8,788,004
Furniture and equipment	<u>2,232,468</u>	<u>-</u>	<u>-</u>	<u>2,232,468</u>
Total Capital Assets	<u>11,195,268</u>	<u>-</u>	<u>-</u>	<u>11,195,268</u>
Less accumulated depreciation:				
Buildings	11,919	1,202		13,121
Building improvements	2,389,671	433,167		2,822,838
Furniture and equipment	<u>1,773,264</u>	<u>64,399</u>	<u>-</u>	<u>1,837,663</u>
Total Accumulated Depreciation	<u>4,174,854</u>	<u>498,768</u>	<u>-</u>	<u>4,673,622</u>
Capital Assets, net	<u>\$7,020,414</u>	<u>\$498,768</u>	<u>\$ -</u>	<u>\$6,521,646</u>

Total depreciation expense of \$498,768 was included in the Recreation & Culture program governmental activities.

NOTE D – LONG-TERM DEBT:

Changes in long-term debt during the year ended June 30, 2006 are summarized as follows:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
1997 General Obligation Bonds – Library Improvement	\$3,510,000	\$ -	\$195,000	\$3,315,000
1998 Building Authority Bonds – Library	685,000	-	215,000	470,000
Accrued Compensated Absences	86,404	-	9,094	77,310
TOTAL LONG-TERM DEBT	\$4,281,404	\$ -	\$419,094	\$3,862,310

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due. There shall be levied upon all taxable property in the City an amount such that the estimated collections there from will be sufficient to pay the principal and interest on the bonds while outstanding.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the Library to the Building Authority pursuant to the Contract of Lease between the City and the Authority. When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the Library.

The detail of the annual principal and interest requirements through maturity for all bonded debt outstanding as of June 30, 2006 are as follows:

<u>Maturities</u>	<u>1997 G.O. Bonds Library Improvement</u>	<u>1998 Building Authority Bonds – Library</u>	<u>Totals</u>
Year Ending June 30:			
2007	369,473	247,679	617,152
2008	369,583	256,149	625,732
2009	369,118	-	369,118
2010	367,953	-	367,953
2011-2015	1,835,180	-	1,835,180
2016-2018	<u>1,125,902</u>	<u>-</u>	<u>1,125,902</u>
	4,437,209	503,828	4,941,037
Less Interest	<u>(1,122,209)</u>	<u>(33,828)</u>	<u>(1,156,037)</u>
	<u>\$3,315,000</u>	<u>\$470,000</u>	<u>\$3,785,000</u>

NOTE E – UNEARNED REVENUES:

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Library has reported unearned revenue of \$1,098,605, which relates to its portion of the City of Marquette's 2006 tax levy.

NOTE F – DEFINED BENEFIT PENSION PLAN:

Plan Description

Through the City of Marquette, the Library contributes to the Michigan Municipal Employees Retirement System (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

All full-time employees of the Library are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with 10 or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Funding Policy

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

Funding information is not available for the Library as a separate unit. Therefore, the information given is the total of the City of Marquette and the Library. For the year ended June 30, 2006, the City's annual pension cost of \$625,812 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information is as follows:

City of Marquette, Michigan
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1996	\$12,436,500	\$13,648,879	\$1,212,379	91%	\$4,717,183	26%
1997	13,630,932	15,461,563	1,830,631	88	4,800,223	38
1998	15,257,550	16,216,678	959,128	94	5,031,270	19
1999	16,969,765	17,430,314	460,549	97	4,909,541	9
2000	18,722,203	20,136,439	1,414,236	93	4,803,572	29
2001	20,056,537	23,113,321	3,056,784	87	5,039,800	61
2002	20,799,934	24,588,188	3,788,254	85	5,227,706	72
2003	22,629,322	25,997,838	3,368,516	87	5,393,986	65
2004	24,187,555	28,468,133	4,280,578	85	5,426,755	81
2005	25,645,477	33,158,414	7,512,937	77	5,435,528	159

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending <u>June 30</u>	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	1994	\$103,124	100.0%	\$ 0
1998	1995	153,696	100.0%	0
1999	1996	295,912	100.0%	0
2000	1997	424,066	100.0%	0
2001	1998	381,485	100.0%	0
2002	1999	399,053	100.0%	0
2003	2000	456,453	100.0%	0
2004	2001	521,245	100.0%	0
2005	2002	545,201	100.0%	0
2006	2003	625,812	100.0%	0

NOTES TO THE REQUIRED SCHEDULES

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

NOTE G –BUDGETARY NONCOMPLIANCE:

Expenses of expenditure over appropriations in the individual governmental funds are as follows:

Personnel Services	\$45,155
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Required Supplemental Information

**City of Marquette, Michigan
Peter White Public Library**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive (Negative)
REVENUES:				
Property taxes	\$ 637,900	\$ 654,645	\$ 671,007	\$ 16,362
State sources	41,000	39,482	39,482	-
Local sources	305,000	305,500	313,149	7,649
Charges for services	44,000	44,500	40,990	(3,510)
Fines and forfeiture	138,000	149,000	156,144	7,144
Rentals	35,000	33,000	36,475	3,475
Contributions from private sources	55,775	31,250	33,198	1,948
Investment income	13,000	18,000	18,484	484
Other	4,000	14,852	19,872	5,020
TOTAL REVENUES	1,273,675	1,290,229	1,328,801	38,572
EXPENDITURES:				
Recreation and Culture:				
Personnel services	814,450	839,713	884,868	(45,155)
Supplies	71,750	73,800	70,325	3,475
Other services and charges	300,725	300,500	299,670	830
Capital outlay	110,250	129,800	122,427	7,373
TOTAL EXPENDITURES	1,297,175	1,343,813	1,377,290	(33,477)
NET REVENUES OVER EXPENDITURES	(23,500)	(53,584)	(48,489)	5,095
OTHER FINANCING SOURCES (USES)				
Transfers In	28,000	53,584	26,875	(26,709)
TOTAL OTHER FINANCING SOURCES (USES)	28,000	53,584	26,875	(26,709)
NET CHANGE IN FUND BALANCE	4,500	-	(21,614)	(21,614)
Fund balance, beginning of year	393,480	393,480	393,480	-
FUND BALANCE, END OF YEAR	\$ 397,980	\$ 393,480	\$ 371,866	\$ (21,614)

**City of Marquette, Michigan
Peter White Public Library**

CARROLL PAUL MEMORIAL TRUST FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 28,850	\$ 28,850	\$ 45,991	\$ 17,141
Other	-	-	-	-
TOTAL REVENUES	<u>28,850</u>	<u>28,850</u>	<u>45,991</u>	<u>17,141</u>
EXPENDITURES:				
Recreation and Culture:				
Musical supplies and services	28,850	28,850	-	28,850
Other services and charges	-	-	2,331	(2,331)
TOTAL EXPENDITURES	<u>28,850</u>	<u>28,850</u>	<u>2,331</u>	<u>26,519</u>
NET REVENUES OVER EXPENDITURES	-	-	43,660	43,660
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(26,875)	(26,875)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(26,875)</u>	<u>(26,875)</u>
NET CHANGES IN FUND BALANCE	-	-	16,785	16,785
Fund balance, beginning of year	<u>763,975</u>	<u>763,975</u>	<u>763,975</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 763,975</u>	<u>\$ 763,975</u>	<u>\$ 780,760</u>	<u>\$ 43,660</u>

Other Supplemental Information

**City of Marquette, Michigan
Peter White Public Library**

1997 LIBRARY IMPROVEMENT DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$ 367,330	\$ 371,392	\$ 4,062
Other	-	-	-
TOTAL REVENUES	<u>367,330</u>	<u>371,392</u>	<u>4,062</u>
EXPENDITURES:			
Debt Service:			
Principal	195,000	195,000	-
Interest and fiscal charges	172,330	172,327	3
TOTAL EXPENDITURES	<u>367,330</u>	<u>367,327</u>	<u>3</u>
NET CHANGE IN FUND BALANCE	-	4,065	4,065
Fund balance, beginning of year	3,151	3,151	-
FUND BALANCE, END OF YEAR	<u><u>\$ 3,151</u></u>	<u><u>\$ 7,216</u></u>	<u><u>\$ 4,065</u></u>

**City of Marquette, Michigan
Peter White Public Library**

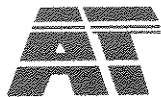
1998 BUILDING AUTHORITY DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Private sources	\$ -	\$ 1,925	\$ 1,925
Investment income	12,000	25,667	13,667
Other	-	-	-
	<u>12,000</u>	<u>27,592</u>	<u>15,592</u>
TOTAL REVENUES	<u>12,000</u>	<u>27,592</u>	<u>15,592</u>
EXPENDITURES:			
Debt Service:			
Contingencies	-	-	-
Principal	215,000	215,000	-
Interest and fiscal charges	33,700	33,698	2
	<u>248,700</u>	<u>248,698</u>	<u>2</u>
TOTAL EXPENDITURES	<u>248,700</u>	<u>248,698</u>	<u>2</u>
NET CHANGE IN FUND BALANCE	(236,700)	(221,106)	15,594
Fund balance, beginning of year	435,937	435,937	-
FUND BALANCE, END OF YEAR	<u>\$ 199,237</u>	<u>\$ 214,831</u>	<u>\$ 15,594</u>

COMPLIANCE SUPPLEMENT



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MICHIGAN
ESCANABA
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KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Trustees
of Peter White Public Library
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities and each major fund of the Peter White Public Library as of and for the year ended June 30, 2006, which collectively comprise the Peter White Public Library's basic financial statements, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Peter White Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Peter White Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as enumerated in Footnote G of the financial statements.

This report is intended solely for the information and use of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 8, 2006